

1. THE DEFEAT OF THE WORKING CLASS

The destruction of the Soviet workers' state led to the defeat of the proletariat's revolutionary challenge to world capitalism at the end of World War II. Postwar workers' movements were crushed or diverted into class collaboration, and third-world revolutions were led down the path of bourgeois nationalism. As a result imperialism gained a new lease on life. Trotsky's warning (cited in Chapter 2) proved correct: equilibrium was erected over the prostrate form of the defeated working class, leading to an unprecedented period of prosperity. The epoch of capitalist decay was significantly prolonged.

On the surface it may not look like we still live in the epoch of decay. The first half of the century — two devastating world wars, the Great Depression of the 1930's, the simultaneous triumph of fascism and Stalinism — amply confirmed the epochal picture drawn by Marxists. But history after World War II, with its expansive boom in the imperial countries and four decades without inter-imperialist war, looks different. Even though the postwar boom has come to an end and the possibility of severe crisis is now openly discussed within the Western bourgeoisie, the predominant view — among the conservatized intelligentsia and proletariat as well as the bourgeoisie — is that capitalism is successful. The collapse of the Eastern "socialist" regimes provides confirmation.

In this chapter we analyze the post-World War II world, with special attention to the impact of Stalinism on it. We will see that Stalinism played the key role in keeping imperialism strong. We take up in turn the origins of the postwar world, an assessment of modern imperialism as a whole, and finally the rise and decline of the Stalinist form of imperialism.

IMPERIALISM BETWEEN THE WARS

We begin with a brief look at imperialism after World War I. In addition to the isolation of the USSR and the defeat of workers' revolutions elsewhere, the result of that war was the suppression of the losing imperialists and their confinement within national boundaries. The United States was the chief victor in that it became, for the first time, a net creditor on the world financial market and an exporter of industrial goods; that is, it joined the first rank of the imperialist powers. Yet this result was not enough to alleviate the epochal crisis that had brought about the world war. None of the great powers was strong enough to dominate the world alone; none had been eliminated as an imperialist contender (except Soviet Russia). The system flourished for a short time on the spoils of war and the reconstruction from it, but then disaster struck again.

Largely because of the Great Depression, the decade of the 1930's was characterized throughout the imperialist world by increasing fusion between capital and its state. In addition to its customary and growing functions of coercing the working class and supervising capitalist competition, the state took on the role of central organ for the organization of the economy as a whole. This was most extreme for the late-starting imperialists and those weakened by World

War I, who had the least opportunity for imperial expansion. The trend prominent in Nazi Germany, militaristic Japan and fascist Italy was also expressed in the New Deal in the United States.

The Great Depression could not be resolved by a new imperialist expansion, since the globe was already imperialist property and could only be *re*divided. The resulting tensions led to intensified rivalries, division of the world into currency blocs and a precipitous collapse of trade, factors which led inevitably to the new world war. The national limits of capital concentration had been reached and now had to be breached.

War was the only bourgeois solution to mass unemployment and poverty. In the depths of the Depression in the United States, for example, at least a quarter of the work force was unemployed and the rate of profit fell below zero. There were ups and downs within the decade, but the normal processes of capitalist recovery never took hold; not even the government-sponsored pump-priming of Roosevelt's New Deal cured the crisis. Depression, usually capitalism's cure for its periodic crises at the proletariat's expense, was no longer an effective solution.

In Germany the crisis of the early 1930's was even greater and the bourgeoisie's methods correspondingly more drastic. Nazism was wielded against the workers to smash their powerful independent organizations, drive down their standard of living, discipline them through a police state — all to obtain a maximum extraction of surplus value. The crisis also led inexorably to rearmament and a policy of military conquest of new territories to exploit.

STALINISM AND WORLD WAR II

But whatever the Nazis' expansionist ambitions, the Second World War could not have occurred without Stalinism's victory in the USSR. War can break out under the pressure of economic and political laws beyond the control of the ruling classes; but their wishes are nevertheless a factor, and in the light of the revolutionary events that followed World War I, they feared to risk another conflict that could provoke the workers to do away with capitalism once and for all. By 1939 the rulers saw they had less to fear from the proletariat: the German workers had been crushed (with the help of the Stalinists), the Comintern had proved its loyalty by restraining the Spanish revolution and guaranteeing its defeat — and then the counterrevolution was completed in the USSR itself.

The Hitler-Stalin pact under which the war began shocked Soviet supporters everywhere even though it was predictable: the Soviet rulers had abandoned all methods of defense other than the military and diplomatic. The pact was not a qualitative break; it signified only the momentary failure of the alliances with the "democratic" imperialists that had been tried and would be turned to again. It did not end class collaboration; it simply switched partners. In the West the CPs changed from petty-bourgeois chauvinists to petty-bourgeois pacifists; in Germany, they unsuccessfully approached the Nazis for a working relationship.

The pact was signed because the U.S., France and Britain still distrusted the land of the Bolshevik revolution — even though they accepted the benefits of Stalinist policy in keeping

their own workers in line. They had reason: radical workers everywhere still looked to the USSR as the embodiment of proletarian revolution. And although Western diplomats loudly objected to Stalin's bloc with Hitler, it proved something to them: that Moscow was now capable of *any* iniquity — just like a normal nationalist power. In this ironic sense the pact laid the basis for the later victorious alliance in World War II.

The Nazi-Soviet alliance was highly unstable. On the diplomatic level, its secret codicils bore witness to Soviet imperialist aims in Eastern Europe and Western Asia, but they also showed that Russian territorial interests were predominantly regional. Moreover, Soviet industrial growth required importing Western technology and reducing the burden of armaments production; thus Stalinism was conservative, looking to establish international stability.

Hitler, on the other hand, ruled a cooped-up imperialist powerhouse that had to pry open the stranglehold on the world market held by the colonial powers (Britain, France, etc.) and the United States. Nazi Germany was therefore a destabilizing and radical player on the world stage. And even though Germany divided Poland with the USSR at the start of the war, its drive to exploit East Europe and, inevitably, Russia precluded any long-term toleration of the deal with Stalin.

Moreover, in countries where both Stalinist and fascist parties existed they could not seriously collaborate over domestic policy. Nazism's appeal to capital was based on its ability to crush independent organizations of the working class, while the Stalinists outside of Russia were still tied to layers and institutions of that class. For these reasons the alliance was necessarily short-lived.

The alternate alliance of the "democrats" with Stalin was therefore necessary, and during the war it was established on the basis of Soviet nationalism as well as overall imperialist interests. Stalin expressed his imperial desires to his Western allies as he had done to Hitler, and the USSR was guaranteed its own sphere of interest alongside those of the Western powers. The Soviet wartime resistance against the German offensive was conducted under the banner not of socialism but of the Motherland, and the Comintern was officially disbanded in order to calm remaining bourgeois fears of revolution. Even the "Internationale" was readily dispensed with and replaced by a nationalist anthem.

The Communist Parties internationally defended the Soviet state *and* deepened their own domestic nationalist orientation, especially in the Nazi-occupied countries after the invasion of Russia. The CPs played leading roles in resistance movements, pressing the workers to subordinate their independent and revolutionary interests to national bourgeois restoration. In the West they became the most disciplined advocates of war production, using their influence to quell even non-war-related strikes. The magnitude of the Stalinists' counterrevolutionary role is illuminated by comparing it to the expectations of a well known fellow-traveler at the time:

"There is strong evidence that the existence of the Soviet Union, and its consistently anti-imperialist policy, exercised a strong disintegrating effect on the cohesiveness of the total structure of imperialism ... it appears not unlikely that the disintegrating effects on imperialism of a further growth of socialism will outweigh the consolidating effects [of the wartime alliance].

...

“We start with the assumption of a military defeat of German fascism. This happy event, it may be postulated, would be followed by the collapse of capitalist rule and the victory of socialism over substantially the entire European continent, not merely in Germany and the occupied countries but also in France, Italy, and Spain. Anglo-American attempts at intervention are not excluded, but it seems hardly likely that they would meet with success Socialism would now have an impregnable base extending from the Atlantic to the Pacific A firm alliance with the colonial and semi-colonial countries of Asia would follow The evolution of the entire Far East, including India, China and Japan, in a socialist direction would now be assured”¹

Such dreams in the spread of socialism under Stalinist guidance could only be held by people with no conception of what transformations had been wreaked on the “land of socialism.” Fascism was smashed by the Soviet armies, but the result was not even the victory of Stalinism in Europe; imperialist deals led to the division of Europe and Asia, with the United States getting the predominant share. Stalinism proved to be the key ingredient in imperialism’s survival, not its demise.

The degree of corruption of the Stalinist parties in the working classes can be seen from the case of the U.S. Communist Party. During the course of World War II, this party supported the government’s imprisonment of thousands of Japanese-Americans solely on the grounds of race; it enthusiastically endorsed the prosecution of Trotskyist leaders under the anti-communist Smith Act (a law predictably turned against the CP itself after the war); it opposed the anti-racist protests of the American black movement as a disruption of wartime unity; it fought against workers’ strikes as sabotaging war production; and it approved the mass murder of civilians through the atomic bombing of Japanese cities.

STALINISM AFTER THE WAR

Stalinism emerged strongly from the war. The basis for its resilience was the counterrevolution in the USSR, which gave the bureaucracy class power and its own national capital, enabling it to serve as a shareholder and bulwark of imperialism as a whole. The Communists had also gained a dominating position within the world proletariat through the authority of the Bolshevik revolution together with the Soviet victory over fascism. In Eastern Europe the CPs and the Soviet Army suppressed workers’ uprisings to consolidate Stalinist control. In France and Italy the CPs used their power and prestige to break the back of potential revolutions. In Vietnam, North Africa and other colonies they paved the way for imperialism to regain its hold.

It is rarely remembered that the end of the war saw working-class upsurges throughout Europe. Under conditions of misery and starvation in the war-ravaged territories, capitalism was everywhere discredited. Workers rose up to oust the bourgeois officials from factories and local administrations, and took steps to re-establish functioning economies; they had no need for bosses and stood openly for socialism. To illustrate both the mood of the mass proletarian movement and the CPs’ role, we cite a vivid historical account of events in German-occupied

1. Paul Sweezy, *The Theory of Capitalist Development* (1942), pp. 358-9.

Italy in 1944-45 at the time of the Anglo-American invasion:

“To the Allied soldiers reaching the Rome region the experience was strange indeed. Armed Italians, often in red shirts, waving revolutionary banners, greeted them, frequently after they had set up their own local administrations. The Allied armies pushed some Partisans aside, and even threatened them with the firing squad; they arrested many and threw them into prisons. ...

“Despite the Anglo-American policies and German repression, by the beginning of the spring of 1945 the Resistance numbered perhaps 150,000 men, supplying themselves with growing stocks of deserted or captured fascist and German weapons. Success was imminent, and men joined. ...

“The workers of Milan, some 60,000 of them, revolted ... with slight bloodshed, assigning control of the factories to workers’ councils and meting out justice to the fascists. Then in Turin, against heavy German opposition, they swiftly took the city. Throughout northern Italy the Resistance was in control everywhere, and quickly shot approximately 20,000 fascists or alleged collaborators. The Resistance was triumphant and in power. Was Italy on the verge of revolution?

“The Allied military wasted no time in finding out. They knew it was necessary to disarm the Partisans and take over local governments. Disarmament, as the files of the military government reveal, the Anglo-Americans executed ‘with astonishing success.’ ...

“With red banners and power in hand 150,000 men disappeared in a moment, and the almost morbid fears of the English and Americans proved entirely chimerical. Why?

“... there is no question that the Communists saved the Old Order in Italy. As if by reluctant necessity the Americans gradually acknowledged the conservative role of the CP when it was useful to do so, and ignored it when it violated more convenient preconceptions. When disarming the Resistance the Anglo-Americans made the decision ‘to secure the confidence of the Partisan commanders and conduct disarmament through them. ...’ ... In both cases the leaders were willing to cooperate, primarily because the majority were Communists.”²

In countries where the old bourgeoisie collapsed after the war, the CPs moved cautiously to take power themselves. The new regimes as a rule were based on a Stalinist alliance with bourgeois collaborators, based on the workers’ defeat. In the light of the belief in the revolutionary possibilities of Stalinism held by so many present-day Trotskyists, we present the example of Poland, since events in that country were well summarized by Ernest Mandel at the time:

“When the Red Army approached Poland, this country was caught up in the whirlwind of a revolutionary upsurge. The workers occupied the factories, established workers’ control over production, set up factory committees, etc. At that moment, it could be said: the proletarian revolution in Poland had begun. But the *political* intervention of the Soviet bureaucracy was primarily *counter-revolutionary*. The Soviet Army was used to ‘restore order,’ ‘re-establish the

2. Gabriel Kolko, *The Politics of War* (1968), pp. 61, 436-8. This book and its sequel (Joyce and Gabriel Kolko, *The Limits of Power*, 1972) contain a wealth of valuable information.

authority of employers' and rapidly rebuild a *bourgeois* Polish state apparatus.”³

In other countries of East Europe circumstances differed but the overall results were similar. Workers were still not prepared to go back to living under capitalism. So the Stalinists declared that “democratic,” not socialist, revolutions were on the agenda and, after the workers’ upsurges were crushed, used their control of armed forces to set up popular front governments with the old bourgeois parties. Only several years later did the CPs oust their bourgeois partners, complete the nationalization of industry and establish the Stalinized regimes that lasted until today.

An essential element of the Stalinist counterrevolution was the elimination of the revolutionary proletarian leadership. Mainly Trotskyist, they were consciously murdered before the war in Spain and Russia and afterwards wherever the Stalinists held power. The slaughter of the Soviet Trotskyists in particular meant eliminating the most advanced and experienced layer of revolutionary leaders in the world. Elsewhere Trotskyists were influential in only a few countries, where they sought to lead the colonial workers and peasants against both imperialist war blocs. In Vietnam, the Stalinists, with guns supplied by Chiang Kaishek’s China and the West, wiped them out at the end of the war and handed the country back to French imperialism.

Despite political mistakes made by the Trotskyists during the war, they played an often heroic role. They fought both for socialism and against national chauvinism; they were practically alone in combatting anti-German racism in the West (above all in sections of the anti-fascist resistance movements influenced by the CPs); at enormous risk they published a German-language paper distributed to soldiers of the Nazi army in occupied France. The beheading of the working class on top of all other counterrevolutionary events not only prevented revolution after the war but derailed the workers’ movement for a long time to come.

FROM ALLIANCE TO COLD WAR

The Stalinists’ eagerness to act as full members of the imperial club was summed up in one of history’s classic imperialist deals. Here is Winston Churchill’s own description of negotiations for the Yalta treaty that shaped the postwar world:

“The moment was apt for business, so I said, ‘Let us settle about our affairs in the Balkans. Your armies are in Romania and Bulgaria. We have interests, missions and agents there. Don’t let us get at cross-purposes in small ways. So far as Britain and Russia are concerned, how would it do for you to have 90 percent predominance in Romania, for us to have 90 percent of the say in Greece, and go 50-50 about Yugoslavia?’ While this was being translated I wrote out on a half-sheet of paper:

Romania

Russia 90%

The others 10%

Greece

3. Mandel, *Fourth International*, November 1946.

Great Britain . . . 90%

(in accord with the U.S.A.)

Russia 10%

Yugoslavia 50-50%

Hungary 50-50%

Bulgaria

Russia 75%

The others 25%

“I pushed this across to Stalin, who had by then heard the translation. There was a slight pause. Then he took his blue pencil and made a large tick upon it, and passed it back to us. It was all settled in no more time than it takes to set down. ...

“After this there was a long silence. The penciled paper lay in the center of the table. At length I said, ‘Might it not be thought rather cynical if it seemed we had disposed of these issues, so fateful to millions of people, in such an offhand manner? Let us burn the paper.’ ‘No, you keep it,’ said Stalin.”⁴

And dispose they did. The outstanding example of East-West collaboration along the lines Churchill indicated occurred in Greece, which had been consigned to the Western sphere of influence. Stalin was holding back the Greek guerrillas and had already cut off aid to them by closing the borders of his Balkan satellites. (The dissident Stalinist Tito did his bit for imperialism by sealing the Yugoslav border to the rebels in 1949.) In the course of the British-American “pacification” of Greece, thousands of victims were executed and 14,000 were deported without trial to island concentration camps to overcome “Communist indoctrination.”

But that was not all. In France, for example, the CP joined DeGaulle’s postwar government, in which it voted to send troops to reconquer Vietnam and helped crush uprisings in North Africa and Madagascar.

The shared domination suggested by Churchill’s memoir was not held to for very long by either side, given the moves made by the West in the latter part of the war to hem the Soviets in. Stalin’s fears of “democratic” imperialist presence on his doorstep made him more wary but did not affect his attempt at building a grand alliance.

American military aid to the anti-communist forces (including fascist collaborators) was sent under the Truman Doctrine that brought the wartime alliance to an end. Then U.S. Undersecretary of State, Dean Acheson, described how he convinced Congress of the need for such a measure:

4. Churchill, *Triumph and Tragedy* (1953); cited in “Behind Yalta: The Truth About the War,” in Hal Draper, ed., *Independent Socialism and War* (1966), p. 44.

“In the past eighteen months, I said, Soviet pressure on the Straits, on Iran, and on northern Greece had brought the Balkans to the point where a highly possible Soviet breakthrough might open three continents to Soviet penetration. Like apples in a barrel infected by one rotten one, the corruption of Greece would infect Iran and all to the east. It would also carry infection to Africa through Asia Minor and Egypt, and to Europe through Italy and France, already threatened by the strongest domestic Communist parties in Western Europe.”⁵

Acheson refrained from pointing out that the Western CPs were openly dedicated to the reconstruction of capitalism, not socialist revolution. The kernel of truth in the notion of Communist bogeymen was the desire of masses on every continent for freedom from foreign domination and for a better life, summed up as socialism. *That* is the infection that had to be quarantined in the interests of imperialism and U.S. domination, not any desire on the part either of Stalin or the allegedly indoctrinated masses for the spread of Soviet territorial power beyond the USSR’s East European satellites and Asian perimeter.

By the late 1940's, the Stalinists had done the job of crushing the revolutionary potential of the workers’ movements effectively enough so that the West no longer needed them. But to retain its grip Stalinism had to display a level of militancy, so it still appeared dangerous in a volatile world. The Maoist victory in China, which Stalin had not wanted, could not be recognized as part of a worldwide anti-colonial movement and so had to be painted as a conspiracy directed from Moscow.

Under these conditions the U.S. was able to depict the “Communist threat” as an alien force in order to cement the new alliance. There was still widespread radical militancy in the working classes, so trade unions were purged of radicals and rival labor bodies were created. The CPs were ostracized and driven from governments in Western Europe, McCarthyism in the U.S. served to roll back the liberal and leftist trends prominent since the Depression, and the Soviets were excluded from the imperial alliance by means of the Cold War.

A new balance of power was struck between what appeared to be two distinct and hostile worlds. Even though excluded from partnership, the Soviets continued to prop up the overall imperialist system. While Europe and Japan held their rivalries with the U.S. and each other in check, the USSR used its still-potent influence to keep third-world revolutions within bounds. The new nations of the third world which had won independence after the war became formally neutralist and often “socialist.” The initial nationalist victories, India’s above all, seemed to point to a way out of the imperial grip and inspired anti-imperialist movements everywhere. But while remaining politically friendly to the Soviets, the ex-colonies were effectively reintegrated into the Western-run imperialist world market. The whole balance, including Russia’s alleged role as external threat, was aimed at preserving stability — above all preventing upheavals by the growing working classes.

Throughout the postwar period, the Soviet Union has tried to play an influential political role that would enhance its economic opportunities. This does not mean necessarily intensifying its rivalry with Western imperialism but rather doing whatever is required to increase overall

5. Acheson, *Present at the Creation* (1969), cited in Noam Chomsky, *Towards a New Cold War* (1982).

stability. It is impossible to understand the Soviets' policies by assuming either that they fundamentally defend progressive interests, or that they are the most dangerous evil on the planet — the most common “Marxist-Leninist” positions. The only realistic analysis is that they are defenders of the national capital everywhere, conditioned by the particular mode of operation developed in Soviet Russia.

THE STALINIST PARTIES

No one who had followed Trotsky's analyses of the Comintern's degeneration could be surprised at the Stalinists' will to carry out such betrayals. What was unexpected was their capacity to do so. Trotsky saw the Stalinist parties traveling the same road as the chauvinist social democrats; only transitory bureaucratic rivalries inhibited their incorporation into traditional reformism. Here is his assessment of these “ex”-Communists, once he had determined that Stalinism was a counterrevolutionary force:

“As regards the ex-Comintern, its social basis, properly speaking, is of a twofold nature. On the one hand, it lives on the subsidies of the Kremlin, submits to the latter's commands, and, in this respect, every ex-Communist bureaucrat is the younger brother and subordinate of the Soviet bureaucrat. On the other hand, the various machines of the ex-Comintern feed from the same sources as the Social Democracy, that is, the superprofits of imperialism. The growth of the Communist parties in recent years, their infiltration into the ranks of the petty bourgeoisie, their installation in the state machinery, the trade unions, parliaments, municipalities, etc., have strengthened in the extreme their dependence on national imperialism at the expense of their traditional dependence on the Kremlin.”⁶

This analysis was true but incomplete. During the war the CPs did not disintegrate or dissolve into the social democracy, despite the dissolution of the Comintern. They were indeed reformist: unlike centrists, they didn't vacillate in the least in support of capitalism. But theirs was a reformism of a qualitatively different kind from that of the pluralist social democrats. The CPs' essential nature was to be champions of the national capital and advocates of the statification of capital to the highest possible degree. Their goal was “socialism” as they understood it: a society based on the Soviet model, with industry controlled by the state and the working class out of power. But they championed the “national interest” everywhere.

In countries where the old bourgeoisie was too weak to rule, the CPs took over and carried out bureaucratic nationalizations, But they sought at first to lead a coalition of shadow bourgeois parties in office to legitimize their own participation in the defense of the national capital. (We will discuss the Stalinist takeovers through our analysis of Trotskyism in Chapter 7.)

Where the bourgeoisie remained strong, as in the imperialist Western powers, the CPs consistently stood for an increased role for the state nevertheless. They pursued reformist policies since the mid-1930's through bourgeois popular-front alliances, because every measure taken to strengthen the economic role of even a bourgeois state is regarded as a step towards “socialism.” As Trotsky observed, in the bourgeois democracies the CPs flourished on posts

6. Trotsky, “A Fresh Lesson,” *Writings 1938-39*, pp. 70-71.

funded by the state and rested on sections of the labor aristocracy and the middle class. After the war the state expanded everywhere, because of the laws of capital accumulation in general and the need to both incorporate and suppress the working class in particular. The CPs expanded as the vanguard of the overall trends toward stratification and nationalism.

The inspiration and direct role of Stalinism was particularly important in third-world countries. The Russian revolution had originally aroused not only workers and intellectuals dedicated to the communist cause but also members of the intelligentsia attracted by the dream of an independent nation-state that could stand up to imperialism and overcome centuries of humiliation. The Stalinists found a social base among government employees, a sector that expanded greatly both in the imperial past and the nationalist present. More generally, since wartime imperialism depended on winning mass support, it had to encourage nationalist sentiments not only at home but also in the colonies; here mobilizing the masses under the slogan of “democracy” required using the rhetoric of national self-determination in to counter pro-Axis propaganda. This enhanced the appeal of the CPs and other petty-bourgeois nationalist currents.

PERMANENT REVOLUTION EXTENDED

The bourgeois nationalists of the oppressed countries looked to the Soviet Union for support against imperialism and as a model for their own countries. A new nation state in this epoch emerges into a world of immense repressive force and economic interdependence. To fend off the imperialists it must be capable of highly concentrated control of both capital and political power. The nation needs to mobilize and retain the bulk of its own internally produced surplus value, so that the fruits of exploitation can be put to use at home rather than abroad. It also has to repress internal capitalists with interests tied to imperialism more directly — as well as to keep down the producing classes, whose aspirations for a better life are whetted by the anti-imperialist struggle. These conditions require a centralized state apparatus, and the Soviet model provided it.

Political independence for the new states and at least a temporary measure of economic leverage was the price imperialism had to pay to re-establish international stability under U.S. hegemony. Facing a tide of mass rebellions, the wiser imperialists chose to accommodate to it, thereby maintaining economic influence of not political control. In most of the former colonial countries, separation from imperialism was won by non-Stalinist petty-bourgeois forces who neither could decapitate their proletariats as effectively as the Stalinists nor wished to centralize property to the same extent. But they too took power only because of the defeat of the world proletariat. The victory of Stalinism is the key that locked the revolution of the oppressed colonial masses into the nationalist prison and kept them under imperial domination.

Whether Stalinist or not, the new nationalist rulers saw their goal as defending and expanding the nation-state and the national capital. To this end some chose to welcome imperialist investment; others preferred to build up local industries with state aid to produce needed goods at home rather than import them. Almost all used some form of socialist or populist rhetoric to justify strengthening the state and capital. As noted in Chapter 2, imperialism creates a reciprocal nationalism in the imperialized countries. And this nationalism, like the imperialism that engenders it, is heavily reliant on the national state.

In this light, the theory of permanent revolution has to be extended. A central point of Trotsky's theory was that the bourgeoisie feared to challenge *any* form of property, given the potential threat of the proletariat. Therefore throughout this century it has been unable to carry out the democratic and national tasks of the bourgeois revolution; the internationalist workers' revolution is objectively necessary. But under specific conditions — where the proletariat has been defeated or decapitated and its threat to property thereby temporarily removed, and where the traditional bourgeoisie is too feeble to pose even a temporary break from imperialism — elements from the bureaucratic middle classes can seize the reins of power. Such nationalists can even resort to the dangerous step of statifying property, if the workers have been effectively excluded from independent activity.

This corollary to permanent revolution is critical for understanding postwar international politics. The workers' defeat accounts for the creation of so many Stalinist states in the war's aftermath, as well as for the particular sequence of events in which the proletariat was shoved aside *before* property could be nationalized. The theory also illuminates the initial success and later collapse of third-world nationalism, the subsequent dependence of these countries on assistance from the Western capitalist powers. All forms of private property were becoming interpenetrated in Russia when Trotsky first developed the theory, and it is all the more true today — when there is not only interpenetrated ownership but an inescapably international economy.

Trotsky wrote a brilliantly perceptive critique of Stalin's policy of "national socialism" which applies with equal force to the postwar third-world countries:

"Marxism proceeds from world economy, not as a sum of national parts but as a mighty, independent reality, which is created by the international division of labor and the world market, and, in the present epoch, predominates over the national markets. The productive forces of capitalist society have long ago grown beyond the national frontier. The imperialist war was an expression of this fact. In the productive-technical respect, socialist society must represent a higher stage compared to capitalism. To aim at the construction of a *nationally isolated* socialist society means, in spite of all temporary successes, to pull the productive forces backward even as compared to capitalism. To attempt, regardless of the geographic, cultural and historical conditions of the country's development, which constitutes a part of the world whole, to realize a fenced-in proportionality of all the branches of economy within national limits, means to pursue a reactionary utopia."⁷

Indeed, national economic independence for the ex-colonial countries could only be temporary during the period of relative prosperity after the war based on the working-class defeat. This was the time when the bureaucratic middle strata grew rapidly in all countries, economically advanced and semi-colonial. The illusions of viable third systems and in third-world nationalism reflected the self-inflation of these layers. Their statist national capital solutions, reflecting the Stalinist model, were posed as an alternative to the real choices in society: the bourgeoisie and capitalism on the one hand, and the proletariat and socialism on the other. The new nationalist rulers eventually had to break from the fantasy that they were not tied to international

7. Trotsky, "Preface" to the American edition of *Permanent Revolution* (1930).

capitalism.⁸

The removal of the working class from the political stage, however, could be only temporary. The proletarian struggle cannot be eliminated by capital, however repressive its state; the defeated workers eventually recover, and the laws of motion of the system continually drive them to oppose their bosses. That is the reality that has deceived all observers of the “end of the working class” school, even those on the left. It means in addition (as we will show later) that permanent revolution applies in the Stalinist bloc as well as in the countries of traditional capitalism.

2. POSTWAR IMPERIALISM

Despite the great proletarian defeats and the unprecedented economic boom in the dominant countries of Western capitalism, the end of World War II was not the start of a new or higher epoch of capitalism. The proof that the epoch of decay persists is the world economy of the 1970's and 1980's, when the partially suppressed crisis cycle reappeared and bourgeois theorists again panicked aloud over the threat of a new great depression. The immense international debts owed by third-world, East European and even some leading imperialist countries confirm the fictitious nature of much of the postwar profitability. Lenin's theory of imperialism as the final epoch of capitalism remains central for understanding the system's operation in our own day.

THE UNEXPECTED BOOM

The Cold War balance of power would not have been possible without the postwar boom that brought considerable prosperity to the imperialist countries and opportunities for development even to some of the former colonized and semi-colonized nations.

The boom was based in the United States and on its victory in the war. In contrast to all the economic efforts of the U.S. government in the 1930's that failed to get the economy back on its feet, the war itself was the only “public works” project that the bourgeoisie would endorse and was also large enough to end mass unemployment and restore profits. The astronomical state budget was financed through debt, as were those of its enemies and allies. At first, with about one-fifth of the labor force unemployed and one-quarter of industrial capacity unused, war production created a boom without cutting back civilian production. In the words of the famous pro-New Deal economist John Kenneth Galbraith, “The Great Depression of the thirties never came to an end. It merely disappeared in the great mobilization of the forties.”⁹

The American victory in the war was also an economic victory. It made good the U.S. debt, but the other powers, even those on the winning side, were weakened economically and ended up greatly indebted to America. Japan and Germany were subjected to U.S. domination for years, and Britain and France saw their empires dissolved and their ex-colonies pried open to American

8. The ideas of this section were first worked out and are more fully elaborated in “What Are the Communist Parties?”, *Socialist Voice* No. 3 (1977), and “Permanent Revolution after World War II,” in the LRP pamphlet *Permanent Revolution and Postwar Stalinism* (1987).

9. John K. Galbraith, *American Capitalism* (1952), p. 78.

penetration — most significantly, the oil producers of the Middle East. Rescued from economic collapse (and its political consequences) by U.S. loans, Europe and Japan were likewise subordinated to the American-dominated international order.

The Marshall Plan, which was instrumental in spreading the boom to the European capitalist powers, was not the rescue plan for downtrodden Europeans as it was advertised. The “rescue” came three years after wartime devastation had left people under miserably oppressive conditions. Indeed, it was only after the proletarian movements had been decisively set back under their Stalinist and social-democratic leaders that the U.S. then stepped in to bolster the European economies.

The boom had been anticipated by neither Marxists nor bourgeois analysts. Joseph Schumpeter wrote: “Everybody is afraid of a postwar slump, threatening from a drastic reduction of military expenditure financed by inflationary methods as well as from mere reorientation of production. The all but general opinion seems to be that capitalist methods will be unequal to the task of reconstruction.”¹⁰ Trotskyist theorists reasoned similarly, as we will see in the next chapter.

What all overlooked was the opportunity to extract surplus value from advanced working classes which had been subjected to major defeats. As a leading business magazine wrote of the French worker after the war: “His standard of living today is marginal in the statistics and all but insupportable in the reality.”¹¹

Also important was the international industrial dominance by U.S. industry, which produced two-thirds of world output. This was the ingredient missing from the economic scene after the First World War. Now American military and economic hegemony permitted a greater concentration of resources than ever before in capitalism’s history; control over surplus value was centralized on an international scale. The combination of high rates of exploitation and an unparalleled level of international centralization of capital gave birth to the boom.

The techniques of government intervention learned in the 1930's were continued after the war in all the advanced countries. They included subsidies to industry through the arms budget and other state spending, together with unemployment insurance and other mechanisms to prevent working-class incomes from sinking as low as before the war. These Keynesian methods succeeded in dampening the swings of the business cycle and sustain the prosperity bubble once it got started; they could not create the masses of surplus value that powered the boom. That was the achievement of imperialist hegemony and the proletariat’s defeat.

A factor already mentioned was also important: the isolation of radicalism within the workers’ movements through the Cold War. One consequence was that industrial speedup and increased productivity were won by the capitalists — in return for wage increases that would ultimately be eaten away through inflation (another deliberate Keynesian policy).¹² These wage gains had

10. Schumpeter, “Capitalism in the Postwar World,” in S. Harris, ed., *Postwar Economic Problems* (1943), p. 120.

11. *Fortune*, December 1948.

12. Keynes himself justified inflation with delicacy: “Whilst workers will usually resist a reduction of money-wages, it is not their practice to withdraw their labor whenever there is a rise in the price of wage-goods.” (*The General Theory of Employment, Interest and Money*, 1935; p. 9.)

nevertheless to be fought for through militant struggles, which the accommodationist union bureaucracy successfully kept divorced from political aims threatening to capital. Depoliticized or narrowly focused struggles replaced the more radical battles workers were bursting to engage in by the end of the war. A reactionary labor aristocracy was strengthened in the advanced industrial countries. Thus for two decades after the world war, wages of the majority of workers in the imperialist countries advanced with unexpected regularity; but capital succeeded in preventing a return of the proletarian consciousness that had been crushed in the 1930's.

The availability of surplus value in the West contributed to a buildup of the white-collar middle classes, a vast layer of unproductive labor and a modern-day adjunct of the labor aristocracy. As already noted, World War II and the need to contain the proletariat led to a big expansion of the state apparatus in the imperialist heartlands; in particular, military and corporate bureaucracies grew inordinately, along with the concentration of power at the level of the state characteristic of the epoch.

Paradoxically, the boom based so heavily on the workers' defeat ended up creating the illusion of permanent working-class prosperity and rising living standards. In the United States especially, the early 1960's were heady days. The future appeared luminous for almost everyone entering adulthood; at one point in the decade college attendance exceeded 50 percent of all high school graduates, indicating that masses of working-class youth thought they had a good chance to rise in society. The black revolts of the period, initiated by college students, reflected the bitter realization that with so much prosperity at hand black people were still subject to intolerable conditions.

The optimism characteristic of the postwar boom period was felt in Soviet Russia too. Khrushchev predicted the surpassing of American production levels; he also boasted at the 22nd Party Congress in 1961 that "socialism had triumphed fully and finally in our country and we have entered the period of the full-scale building of communism." Moreover, "everyone will be assured of material sufficiency; by the end of the second decade [1980] there will be assured an abundance of material and cultural benefits for the entire population." Contrast this with Gorbachev's sober assessments today.

FICTITIOUS CAPITAL

The boom engendered the buildup of a massive balloon of fictitious capital. The standard source of fictitious capital, the overvaluation of investments (Chapter 1), was inflated by expanding waste production and speculation. In the classical business cycles such balloons were periodically burst by the periodic crises; in contrast, the postwar balloon has been continually inflated. The danger of a cataclysmic collapse as a result of each upcoming cyclical crisis compels governments to try to postpone such crises by puffing up the debt balloon — thereby making the potential consequences of an explosion even greater. In this sense the fictitious capital boom is a reflection of the latent power of the working class and its permanent threat to capital.

State spending on arms, social benefits won by workers and subsidies of inefficient capitals created large public debts from World War II on, and the consequent tax drain on profits meant

that a growing portion of business investment had to come from borrowed funds as well. Beyond a certain point debts are not simply one firm's expense balancing another's income; they are claims on surplus value that require repeated postponement to the future. The accelerating debt buildup reached the point where by 1981, more capitalist income in the U.S. came from interest than from corporate profits — the first time this had happened since the years of subzero profits in the 1930's.¹³

Capitalism's creation of fictitious value threatening to choke the system is an illuminating reflection of the inherent contradiction between the drive to accumulate and the need to preserve the value of existing capital. The absolute dedication of capital to the maximization of value leads it to generate value forms without the backing of material goods; then the dedication of much surplus value to the proliferation of paper value disrupts the growth of real production. An economic journalist reported the views of a prominent bourgeois theorist:

“Peter F. Drucker ... contends that there has been a basic change in the world economy. The ‘real’ economy of goods and services and the ‘symbolic’ economy of money, credit and capital are no longer bound tightly to each other, he says, and ‘are moving further and further apart.’ Striking evidence to support this thesis is provided by the widening disparity between the sluggish growth of the real economies of the United States and other industrial countries and the exuberance of their financial markets. Yesterday the Dow Jones industrial average [for the New York stock market] closed above 2000 for the first time, a gain of 31 percent in the past year. But this nation's economy grew only 2.6 percent last year Likewise, ... the Morgan Stanley Capital International Perspective World Index, a measure of global stock market performance, rose 39 percent, adjusted for the dollar's decline. But the real world economy was in the doldrums.”¹⁴

Bourgeois analysts fear, of course, that the balloon can be punctured and billions of dollars of fictitious capital, together with its owners, wiped out. After all, when crises destroy values, the fictitious values are the first to go. A foretaste of what is in store was provided by the October 1987 stock market crash, which deflated the balloon but by no means enough to prevent a later explosion.¹⁵ Contrary to Cliff and other theorists who see use values replacing value as the goal of capitalist production (Chapter 1), the opposite is in fact taking place: as balloons of fictitious value build up, use is more and more separated from value. In the decadent epoch of capitalism, fictitious capital becomes a brake on the system that can be overcome, revolution aside, only by volcanic purges in the form of great depressions and world wars.

The situation is analogous to the condition of “permanent crisis” in the Soviet variant of capitalism. Just as the Stalinist rulers cannot allow enterprises to go out of business without endangering their system, so too Western capitalism cannot afford to allow major corporations or banks to collapse. Because all the giant firms are interpenetrated, the collapse of one would bring down many others. For this reason the Chrysler Corporation was bailed out by the U.S. Congress in the late 1970's. Even under the “free-market” Reagan Administration, the government has

13. *Economic Report of the President*, U.S. Government, 1982.

14. Leonard Silk, *New York Times*, January 9, 1987.

15. See “After the Crash,” *Proletarian Revolution* No. 31.

intervened to prop up failing firms and banks if they are big enough. When the Continental Illinois bank, one of the country's largest, collapsed, it was taken over and for practical purposes nationalized. Similar solutions have been used in Western Europe and Canada.

The build-up of fictitious capital means that a large quantity of paper capital is chasing after a comparatively small pool of surplus value. This means a falling rate of profit, a reflection of the law Marx analyzed and which applies especially in the epoch of decay. Empirical evidence on the FRP for the postwar period shows that, for U.S. capital, the overall rate of profit held even at an average of 10 percent (with rises and falls of about 2 percent) in the 1947-67 period, but then fell sharply to an average below 6 percent from then through 1985.¹⁶

The excess claims on surplus value that arise from the fictitious capital boom contribute to another Western analogue to Stalinism: shoddy maintenance of the "infrastructure" of industry, transport and the natural environment. When massive debts have to be paid, firms and governments have to throw all available cash into the pot — not only their profits but also their constant capital renewal and repair funds. (A portion of constant capital can easily be credited as surplus value, thereby exaggerating the real rate of profit.) The world has faced industrial disasters not only at Chernobyl but also at Three Mile Island, Windscale and Bhopal; not only is Lake Baikal polluted and the Aral Sea evaporating, but Lake Erie is dying and the Rhine River a chemical sewer. Both forms of capitalism find that maximizing the national capital means preserving obsolescence and permitting environmental decay regardless of human cost; neither form has resources sufficient to solve the crises brought about by the system's mad disregard for the future.

As under Stalinism, postponing a decisive crisis (and the restructuring of capital that would accompany it) has meant that the underlying basis for profits is weakened and that the collapse, when it does arrive, will be all the worse. The postwar period has exhibited so far no all-out collapse but rather a series of mini-crises that succeed in destroying only smaller capitals and strengthening the hand of the dominant monopolies. But the untouchability of the giants is not a permanent condition.

THE END OF THE BOOM

The conditions that created the boom eventually turned. The Cold War and the international instability it engendered had led to a tremendous arms buildup. The vast military budgets of both imperialist and non-imperialist countries formed the major part of state spending globally, a considerable drain on productive investment and therefore on economic renewal and expansion. This and other Keynesian techniques for dampening the business cycle left crises unresolved: old capital was not sufficiently devalued and backward industries continued to operate. Recessions became less profound but more frequent; the postwar cycles averaged less than five years rather than the nearly ten of classical times.

Two decades without a major downturn led to overproduction on a world scale, especially when

16. Anwar Shaikh, "The Falling Rate of Profit and the Economic Crisis in the U.S.," in URPE, *The Imperiled Economy* (1987).

Japan and West Europe recovered from wartime destruction and reached first rank in manufacturing. The combination of overproduction and fictitious capital left fewer outlets for productive investment; from this followed the plague of speculative corporate takeovers and a new expansion of fictitious claims to value. By the early 1970's a serious crisis cycle had re-emerged, and unemployment levels moved out of the realm of "prosperity." The U.S. and Britain became conspicuous examples of gross extremes of wealth and poverty existing side by side.

Declining imperial fortunes were accelerated by the tremendous costs of the Vietnam war, the West's primary attempt to stifle nationalist struggles against imperialism. The U.S. defeat was a blow to imperialist prestige and a signal that its unchallenged hegemony was at an end. It is no accident that the end of the postwar boom led to rising working-class struggles East and West. In the 1960's workers in the U.S. demanded their share of the diminishing prosperity through widespread wildcat strikes and the black ghetto uprisings; workers in France (1968) and Italy (1969) broke their chains through massive strike struggles. So did workers in Czechoslovakia and Poland, countries whose economic fortunes had risen and fallen in parallel with the West.

The upshot is that world capitalism is now experiencing an intensifying crisis: not just periodic downturns but, underneath the ruling-class glitter, the resumption of depression conditions for many. In the United States, still the locomotive of the world economy, the working-class standard of living has not increased since the late 1960's. One revealing comparison is that average income for working-class men aged 40 in 1973 declined over the next decade by about 1.5 percent per year; in the 1950's and 1960's it had grown by about 2.5 percent yearly. The decline is greatest among industrial workers whose high pay has been replaced by the miserable wages available in unskilled blue-collar service jobs, and especially among black and Latino workers.¹⁷

The fact that the expansion of the postwar years had ended was hidden by rising paper profits and stock-market values. But other omens of a long-term depression are strong. In 1987 in the United States, with over 7 million workers unemployed by government figures, another 6 million "discouraged" and not officially in the category of those seeking jobs, plus an immense 18 million working less than half time for an annual income of under \$10,000, the effective unemployment rate was well above 25 percent — a level comparable to the 1930's. This situation has not yet penetrated the consciousness of most American workers. One commentator summed up the problem for the ruling class:

"Sooner or later, a falling living standard will be political dynamite, too. When it dawns on enough Americans that they can no longer expect to do better economically than their parents, or even as well, their reaction is likely to be outraged, even dangerous."¹⁸

That is correct. The bourgeoisie understands that the working class is more powerful than it appears under its reformist leadership. The unpopular Vietnam war, for example, was fought under the "guns *and* butter" recipe — wages were kept relatively high to prevent a social

17. Frank Levy, "Changes in the Distribution of American Family Incomes, 1947 to 1984," *Science*, May 22, 1987.

18. Tom Wicker, *New York Times*, August 17, 1987.

explosion. A decade and a half later, when declining profits led to a united capitalist attack on workers' wages, President Reagan took the lead by crushing the air traffic controllers' union (PATCO). But the bourgeoisie did not dare follow up with an all-out war on the unions. And in the face of today's desperate need for higher productivity and profits, when bosses are turning to incorporative devices like "quality-of-life circles" to grind workers down, austerity is real but its pace remains slow. The bourgeoisie recoils from a head-on conflict.

Internationally, U.S. economic hegemony could not last forever. Industry in Japan and continental West Europe expanded and modernized more rapidly, unencumbered by the arms burden. The resulting competition (including that from industries, many imperialist-owned, in the "developing" countries) has led to American obsolescence in specific industries like steel, textiles and shipbuilding. But when the U.S. economy weakens, its centrality and size means that world capitalism as a whole suffers. Another factor is the enormous third-world debt: its consequences have inflicted misery on millions; default would threaten ruin for major U.S. banks.

The economic situation that capital has faced since the early 1970's is tenuous. Profits are insufficient for the thoroughgoing restructuring of capital necessary for a new boom. The U.S. even hesitates to commit itself to the new opportunities (in 1990) for major investment in East Europe. There is also fear of a deep depression that could wipe out the most backward and obsolete firms and devastate the working classes once again.

The "Reagan revolution" in economic policy increased U.S. government debt by years of borrowing in lieu of taxation and amassed a record foreign debt through enormous trade deficits. The gain was a spurt of prosperity for the middle classes at the cost of massive decay of the country's productive industrial plant, not to mention the infrastructure of transport and the environment already cited. Reagan's "voodoo economics" (George Bush's jibe in the 1980 presidential campaign) seems, oddly enough, to have mimicked the Gierek strategy of postponing Poland's crisis in the 1970's. In any case, the result will be much the same: the crisis will come to a head through a financial collapse and the working class will be told to shoulder the burden for excesses it never shared. The U.S. has the potential for the greatest working-class eruption in its history. The Eastern European crisis (Chapter 8) reflects the future not only for the Soviet rulers but for America as well.

LENIN'S THEORY REVISITED

The end of the postwar boom plus the revival of working-class struggle laid the basis for a renewal of left-wing movements and Marxism. There was also a return to Lenin's analysis of imperialism — and a corresponding attack by liberal and social-democratic theorists against the relevance of Leninist theory.

Some obvious updating has to be done to Lenin's "five point" definition of imperialist economics (Chapter 2). Monopoly, the merger of bank and industrial capitals, and international cartelization are still prominent — more so, with the rise of "multinational" corporations, the increased stratification of capital (up to and including the Stalinist form), and even state cartels along the lines of "common markets." On the other hand, the outright colonialism of the early

20th century is comparatively limited today. A handful of powers still exploit the world, not primarily through direct political rule but rather through economic power — backed up, as always, by overwhelming military force.

But this was not the main line of attack. The American social democrat Michael Harrington argued that central features of imperialism were no longer decisive for world politics:

“Lenin’s theory of the essential and inevitable role of imperialism in Asia, Africa and Latin America no longer holds. The Third World is less important to the advanced capitalist powers than at any time in their history; and their prosperity is much more dependent on the maintenance of high mass consumption within their own borders — and within other wealthy countries — than upon the exploitation of the world’s hungry.”¹⁹

Harrington concluded that imperialist war was now a matter of policy, not compulsion: the system, he said, “is no longer fated to do evil.” This could only have been written during the boom, when illusions in the eternal prosperity of the West extended to the conclusion that imperialism would be happy to live in peace with its victims. Theories like Harrington’s were devised less to probe the reality of the modern world than to defend the reformist thesis that continuing imperialist outrages (notably the U.S. war on Vietnam) were unfortunate choices to be corrected by electing greater numbers of liberal bourgeois politicians.

Since Harrington wrote his rationalization, the experience of Thatcherism in Britain and Reaganism in the U.S. has again falsified the underconsumptionist view that capital becomes unprofitable if mass living standards decline. Profit, after all, not consumption, is what keeps the system going. As for the economic significance of the third world, “deindustrialization” has shifted many jobs there in search of lower wages. The capitalists are constantly proving that they depend on exploiting the workers, both abroad and at home, far more than on satisfying consumption needs.

Harrington was also wrong to suggest that Lenin’s theory of imperialism applied exclusively to exploitation of third-world peoples: Lenin specified capital export in general, to advanced countries as well. But much of this is linked to exploitation of the third world; U.S. oil companies’ investment in the Europe in the postwar period, for example, enabled them to increase their profits from the Middle East and Algeria. Moreover, even if Harrington were right to imply that direct investment in third-world industry is relatively declining, there remains the indirect method of loans to third-world capitalists and governments — which have increased enormously in the past fifteen years. Finally, the fact that the capitalist powers are vitally interested in preserving their domination of the third world is proved by their constant wars to guard the system’s outposts and halt militant nationalist movements. They are imperialist as ever.

The social-democratic theories depend in part on the fact that several “developing countries” (a euphemism for the victims of imperialism) have in fact developed. In the 1970’s bourgeois apologists were hailing Brazil, Mexico, Taiwan, South Korea, and other countries whose

19. Harrington, *Socialism* (1970), p. 389.

economies expanded rapidly. They grew not only because of the investments of imperialist capital, but also through the prospering of local bourgeoisies from the combination of slave wages (typically enforced by military repression) and the growth of world markets during the boom.

This is no refutation of Lenin. A key element in Lenin's theory is commonly overlooked: since capitalist decay would mean parasitism of the richest countries through the siphoning of profits from the poor ones, Lenin foresaw economic expansion in the colonies accompanied by decline in the imperialist center.²⁰ During the postwar boom, Lenin's prediction seemed wrong: the imperialist powers expanded and *did* "raise the standard of living of the masses [at home], who are everywhere half-starved and poverty-stricken, in spite of the amazing technical progress"²¹ — something Lenin thought impossible except for the narrow labor aristocracy.

The development of the "newly industrialized countries," however, especially when compared with recession in the West in the aftermath of the postwar boom, appears to fulfil Lenin's prognosis: as boom turns to bust, more and more industrial jobs are moving to low-wage labor in the poor countries. Even so, the economic growth in these countries has been limited (as Lenin expected). None of them has been able to approach the economic level of the advanced, and their impressive statistics of increasing Gross National Product per capita in reality mask grossly uneven incomes and grinding mass poverty. As one bourgeois expert summed up (with a degree of euphemism that few besides practiced academics can muster):

"Not only have most developing countries experienced a decrease in the share of income accruing to the poorest 60 percent, but in many, the relative decrease has been sufficiently pronounced to result in declines in the absolute levels of the poor. At the same time, in the political arena, the process of interaction between the social forces of modernization and the existing power structure has led to varying degrees of instability and internal violence, as well as to a general tendency towards less participatory forms of political structure; the latter has meant that, at least temporarily, political power, as well as economic welfare, have become less equally distributed. It has thus become clear that the economic development processes of the fifties and sixties have not led to the intended result — massive improvements in the welfare of the poor — but have, if anything, increased inequity."²²

The international debt crisis has sharply called into question the economic stability of the third-world countries. Because of the obligations to the banks — which third-world rulers consider sacred and only postpone paying when they literally don't have the cash — starvation and disease are becoming even more rampant. The crisis also exposed the third world's dependence on the imperialist powers. Statistically, an expert noted that the industrialized countries "have absorbed the resources of the rest of the world, and principally those of the developing

20. Lenin, *Imperialism, the Highest Stage of Capitalism*, Chapter 8. In expecting capitalist progress in the colonies Lenin echoed Marx, who wrote of Britain dragging India forward but "through blood and dirt, through misery and degradation" at the expense of the masses. ("The Future Results of British Rule in India," 1853; in *Karl Marx on Colonialism and Modernization*, S. Avineri, ed.)

21. *Imperialism ...*, Chapter 4.

22. I. Adelman, *Journal of Development Studies*, 1974. "Less participatory forms of political structure" indeed! Liberals seem incapable of believing ill of ruling classes. Isn't it apparent by now that the "intended result" of imperialist investment and "aid" is precisely what Adelman describes rather than what is piously preached?

countries.” Likewise, the head of the World Bank, hardly an opponent of imperialist exploitation, observed that “The developing countries are transferring to the industrialized world more money than they receive in new financing.”²³

Figures compiled since the outbreak of the debt crisis explode the theory that imperialist exploitation is not profitable. Here is what the combination of debt repayments plus capital flight from the imperialized countries has meant:

“Since 1979 the most important debtors have devoted from 70 to 80 percent of the total of their new borrowings to the payment of interest on their previous debts. This gigantic transfer of resources from the periphery to the principle metropolitan capitalist countries has had a spectacular effect: in 1981, for the first time in postwar history, the third-world countries have become net exporters of capital. From 1981 to 1985, this flow has multiplied on the average by a factor of 10, passing from 7 billion to 74 billion dollars.”²⁴

However developed the third-world countries may be, their surplus value is still appropriated in large measure by the imperialist powers. This results from the siphoning away of profits as well as from unequal trade (Chapter 2). There is also the ominous trend of imperialists demanding and getting property rights when cash repayments are not forthcoming. Lenin’s overall outlook has proved correct: the rich countries get richer (with their masses benefiting in part), while the poor remain poor and dependent.

One reason for the error in Lenin’s specific expectation that the masses at home would remain “half-starved and poverty-stricken” is that the most modern production techniques require an already developed economic and social environment and therefore have to locate in the advanced countries. Another is the success of the revolution Lenin led: when the Soviet workers seized power and expropriated capital, much of it foreign owned, the imperialists learned about the risk of investing in potentially volatile areas. Only in the profits crisis after the postwar boom has imperialism turned broadly toward industrial expansion in the third world.

THIRD WORLDISM

While social democrats hold that capitalism is no longer imperialist, the “third-worldist” school believes that imperialism has totally transformed capitalism and its laws of motion. In the 1960's this current was heavily influenced by the Chinese Communist Party’s conception of an revolutionary struggle by the world’s “countryside,” the semi-colonial countries, against the “city,” the advanced imperial powers. This was a more revolutionary line than the pro-Moscow Stalinists’, who tried to limit every struggle to reforms. But it ignored the class struggle not only within the capitalist centers but also within the semi-colonies. The theory’s roots lay in bourgeois nationalism, not Marxism.

In the West third-worldism became the predominant view among a whole generation of leftists

23. U.N. Economic Commission for Europe, *Economic Survey of Europe in 1987-1988*; Barber Conable, *World Bank News*, April 24, 1988. Both cited by F. Clairmonte, *Le Monde Diplomatique*, July 1988.

24. F. Clairmonte and J. Cavanagh, *Le Monde Diplomatique*, September 1986.

in the 1960's. Their mentor, Paul Sweezy, denounced the Communist Parties and the European proletariat for having succumbed to imperialist bribery:

“During the long period of capitalist expansion after the Second World War, those Communist parties which had been relatively most successful — the so-called Eurocommunist parties — grew gradually more reformist. Today, a hundred years after Marx’s death, it is impossible to make out a reasonable case for the view which had been for so long at their very heart of Marxism, i.e., that the proletariat in the advanced capitalist countries is destined to be the agent of revolutionary change.”²⁵

Sweezy ignores history and logic: the CPs became reformist during the not-so-prosperous 1930's. But he is consistent with underconsumption theory: he and Baran credit the transformation of modern capitalism to excessive surplus, which the system cannot absorb but which nevertheless serves to eliminate periodic crises at the cost of stagnation and various social diseases. Hence the permanent corruption of the workers and the conclusion that “the answer of traditional Marxist orthodoxy — that the industrial proletariat must eventually rise in revolution against its capitalist oppressors — no longer carries conviction.”

What really lacks conviction, however, is a theory that displaces the proletariat without discussing the class struggle — and still styles itself Marxist. Baran and Sweezy willingly acknowledge their “almost total neglect of a subject which occupies a central place in Marx’s study of capitalism: the labor process.” Their excuse is that they uphold the “international class struggle” and believe that the revolutionary initiative has passed to the “impoverished masses in the underdeveloped countries.”²⁶ This means, however, not the workers’ struggle in these countries but rather the efforts of nationalist leaders to win breathing room from imperialism.

The international class struggle is indeed critical. But in the third-world countries, as elsewhere, the proletariat is central to the socialist cause: only *its* material interests are fundamentally anti-capitalist. Likewise, it is impossible for Marxists to dismiss the struggle in the advanced countries, where the workers have greater economic power. As the permanent revolution analysis shows, revolution in the imperialist countries is necessary, not only to disarm imperial military power but also because without international socialism the ex-colonial countries will never reach the economic level of modern capitalism, much less go beyond it.

It is an evasion of Marxism, not an updating, to overlook the effect that the capitalist crisis has on the working class, forcing it into deeper levels of struggle. From the end of the postwar boom, when the French and Italian workers exploded in nationwide class battles, to the 1980's, which saw mass strikes across Europe from Britain to Poland and the USSR (not to speak of Iran, South Africa, South Korea, the Philippines, Burma and China), the proletariat has signaled that it is dissatisfied with conditions under capitalism. The task of Marxists is to join the struggles of their class in order to show the way forward, not to treat them with “almost total neglect.”

Moreover, whole sections of the working class in the advanced world, like American black

25. Sweezy, “Marxism and Revolution 100 Years After Marx,” *Monthly Review*, 1983.

26. Baran and Sweezy, *Monopoly Capital* (1966), pp. 8-9.

workers, are vitally interested in and influenced by the struggles of the oppressed and exploited abroad;²⁷ the latter have also closely followed the U.S. black struggle ever since the early 1960's. Baran and Sweezy cite only monopoly capital's effect on the black "masses" in the U.S. without specifying the significance of the black proletariat.

Despite the arguments of both social democrats and third worldists, the essentials of the Marxist theory of the epoch of decay have been amply confirmed. The First World War opened up a period of social revolutions beginning in Russia and spreading to Central Europe. The system survived by relying on the forces of reformism, but it was not long before the world economy collapsed in the Great Depression. And that was accompanied by the horrifying counterrevolutions in Germany and Russia — followed by the renewed devastation and defeats of World War II. The continued existence of capitalism, once the most progressive form of society in human history, was made possible only by the most barbaric period the world has ever seen — the "midnight of the century" of the 1930's and 1940's.

Today, narrowing wealth in the dominant countries coexists with mass misery in the greater part of the globe. The build-up of fictitious capital threatens the imperialists' economic stability as well as the living conditions of the masses. The imperialists are virtually deserting whole areas of the third world; despite the super-cheap labor there is too little infrastructure for profitable exploitation. Even during the Pax Americana, wars and repression victimized the already poverty-stricken countries. And if nuclear warfare has been suspended (not prevented: it was used by the U.S. against Japan), its monstrous capacity for destruction still exists, threatening and constricting all international politics. Nothing in the nature of the imperialist ruling classes will stop them from using nuclear weapons when political and economic conditions leave them desperate. The program of Marx and Lenin remains: only proletarian revolution offers a way out.

3. STALINIST IMPERIALISM

If Stalinism is a form of capitalism in the epoch of decay, then the dominant Stalinist country, the USSR, must be imperialist as well as capitalist. This raises a question for our theory: if the Soviet system is driven only to expand its *national* capital, in contrast to powers which export capital, how then can it be imperialist in the Leninist sense?

As we will see, the standard state capitalist theories fail to deal with the nature of Stalinist imperialism. On the other hand, opponents of state capitalist theories like Mandel and Sweezy have difficulty accounting for the Soviet rulers' years of domination over, and exploitation of, nations within the Russian "prisonhouse" as well as their East European allies.

We will show that, just as internal economic relations within the Stalinist system can be understood through the drive to maximize the national capital, so too can its external relations. The relation between the USSR and its satellites *is* imperialist. Although not a simple copy of the type described by Lenin, it is a product of the same capitalist tendencies at a later stage in their

27. See "The Black Struggle," *Socialist Voice* No. 7, Fall 1978.

development. We will also show that Stalinist imperialism has changed significantly, even in the less than half century of its existence. Although its isolation and weakness have dictated an overall strategy of peaceful coexistence with the dominant West, Stalinism's tactics have become markedly less aggressive because of the nature of its economic decline.

THE IMPERIALISM OF BACKWARDNESS

At the height of Stalinism during the postwar years, the Soviet rulers had little compulsion to export capital. Statified capitalism aims to expand the capital within its national boundaries; it is therefore interested in foreign investments only insofar as they help towards this goal. Regional, local and industrial bureaucrats are rewarded according to how they manage their plant or bailiwick; they have had no incentive, and normally no opportunity, to invest abroad. Moreover, they had little need to search for cheap labor abroad: they paid low enough wages at home. Their problem was serious labor shortages due to low productivity, and their nationalist needs led them to *import* even lower-paid workers from satellite countries with excess labor, like Vietnam.

But there is nevertheless an economic motivation for Stalinist expansionism. The bureaucrats are forced to look abroad for *use-values* — new technology, minerals, food, etc. — to fill the inevitable gaps in their domestic economy. This is because the Stalinist goal of national autarky is an impossibility, especially for a country with the USSR's notorious economic inefficiency. The Soviet economy, devoted to the retention of every particle of value, nevertheless wastes and destroys use values. The need to import use values inheres in the USSR's relations of production; it is not just a policy set by the rulers at particular conjunctures.

The USSR searches for use values abroad, in contrast to the values it seeks to build up at home, as it does in the "second economy" of privately produced consumer goods which it depends on internally. All use values have value, but this is not the criterion for choosing them. Financial losses can be tolerated in the effort to obtain the missing use values, as long as the overall result is to maintain the national capital and maximize *its* value. To this end, of course, the acquisition of surplus value abroad will be undertaken if it does not conflict with the primary goal.

Let us look at the history of Soviet imperialism in this light. In the early postwar period the Russian rulers had an additional motive: the restoration of the Soviet economy, even if at the expense of other peoples. They utilized three basic methods of exploiting their satellites (as well as China, before and after the revolution of 1949):²⁸

1. On the pretext of obtaining war reparations, they stripped Eastern Europe, dismantling factories and machines and shipping them home to the USSR. Even Manchuria, a province of China, a wartime ally and victim of traditional imperialism, was looted in this way. Although the Stalinist economy chewed up imported use values as it did domestic (machinery was destroyed in transit, factories lay rusting by the wayside), and this meant a huge loss for the (Stalinist!) rulers of the looted countries, it came at no cost to the Soviet rulers, and so continued.
2. The Soviets took over large enterprises previously seized by the German occupiers and

28. See Y. Gluckstein (Tony Cliff), *Stalin's Satellites in Europe* (1952) and *Mao's China* (1957).

declared them joint-stock companies, with property rights shared between the USSR and the local ally. Profits were also shared, and a major portion went to the USSR for its efforts of absentee ownership — in reality its rights of conquest.

3. Like any other occupying imperialist power, the Russians enforced unequal trade relations with their satellites; charging high prices for Soviet goods and demanding cheap goods in return — the use values it needed. Such exploitation was specifically cited by both Yugoslavia and China when they broke with the USSR in 1948 and the 1960's, respectively.

The combination of all these methods obviously gained surplus value as well as use values for the USSR. Two of the methods, reparations and joint-stock companies, were abandoned in the 1950's, in response to the conflict with Yugoslavia and the workers' uprisings in East Europe after Stalin's death. As for unequal trade, whether it has continued has been much disputed. The problem is that the Soviet-type economies don't have even an approximate method of measuring the true values of commodities; they end up using comparable Western prices, which may not reflect actual production costs. The upshot appears to be that for many years (after the initial looting) the USSR did accept trade losses with its satellites; in the mounting economic crisis of the 1970's, however, it made sure that trade relations were tilted in its favor so that its losses were lowered or even reversed. A special example is that the Soviets charged their allies far more than the production cost for the vital commodity, oil, justifying their usury by the fact that the world market price was even higher.

In relations with its satellites subsequently, the USSR has insisted on bilateral connections rather than multilateralism — despite the founding of Comecon (the Council for Mutual Economic Assistance). Attempts to establish direct links between sister “socialist” countries — Poland-Czechoslovakia and Yugoslavia-Bulgaria — were blocked by Stalin, while Comecon encouraged multinational autarky and dependence on the Soviet economy. Applying its use-value interests, the USSR asserted the right to choose who produce what, to take first pick of quality goods, etc.

At times the Russians have subsidized some allies — East Europe in general for a period, Poland after its military regime suppressed Solidarity in 1981 and the Polish economy remained in crisis, and Cuba ever since it was accepted into the Soviet bloc. A clear indication of the USSR's imperialist weakness is its inability to adopt other third-world dependencies, notably Nicaragua, and its pressing need to reduce the aid which is a major prop of the Cuban economy.

The USSR has also gains advantages over the more backward of its allies, as well as other “third world” countries it trades with, by standard capitalist methods. As Marx pointed out, trade between an advanced producer selling capital-intensive goods and a backward one selling labor-intensive goods invariably favors the former, because fewer hours of high-productivity labor will exchange for more hours of low-productivity labor. Equal monetary exchange masks unequal exchange of values, just one of the ways that “equal exchange” under capitalism turns into its opposite under the operation of its laws of motion.²⁹

In the case of the USSR's more industrialized satellites like East Germany and Czechoslovakia,

29. Marx, *Capital* Vol. III, Chapter 14.

however, the unequal trade relationship is reversed. In order to import necessary production goods embodying advanced technology, Russia has to give up a greater value by exporting minerals and other raw materials. Even though the USSR is militarily and politically dominant in the region, its economic control is hindered by its own limited development. So it uses non-market methods, like requiring payment from its satellites in “hard” (Western) currency. Hungary since 1985 has had to pay in dollars for its oil imports from the USSR. This is a sore point, since not only the Soviets but all the Stalinist partners desperately need convertible currency for imports.

In recent years Soviet economic domination has been aided by “joint investment projects” undertaken with satellite countries to develop resources within the USSR. Unlike the alternative of foreign investment, these projects are on territory controlled directly by the Soviet rulers. They allow the USSR to import industrial use values of a quality superior to what is produced at home. And they extend, by economic rather than purely military means, the USSR’s control over its allies.

Joint investment projects began in the 1960's and expanded greatly in the 1970's. According to the Hungarian economist Tibor Kiss, “the less developed countries of the bloc bear with difficulty a 10 to 15% reduction in the volume of their industrial investments.”³⁰ As one academic expert noted about such projects, “The ownership benefits accrue to the USSR, which is repaying the East European countries’ investment with a 2% simple interest rate, by delivering to them agreed quantities of gas and pulp ...”³¹ The East European partners also complained about the high manpower costs they have to pay, in view of the low Soviet rates of compensation, and about their burden of compulsory hard currency contributions. The arrangement maintained their dependence on the USSR and expanded the Soviet national capital at their expense.

The USSR has also turned more heavily to the exploitation of the internal colonies inherited from Czarism’s prisonhouse of nations. In the two decades after 1958, production and personal income in the non-European republics of the USSR grew proportionately slower than in Russia, a change indicating a drain of surplus value toward the European sections of the country.³² This helps account for the explosion of minority nationalism on the periphery of the USSR.

To sum up, the USSR will use almost any method to get the necessary use values: outright looting as in postwar East Europe, loans for plant construction to be repaid in goods, traditional capital investment, the joint investment projects, etc. Technology is undoubtedly the most important missing use value, so new technology has to be acquired from the countries of traditional capitalism. And much of the USSR’s other efforts abroad are aimed at obtaining convertible Western currency with which to buy technology. As with Western imperialism, international exploitation sets up a contradictory logic that inspires nationalist tendencies in the satellites, tendencies that run counter to Soviet domination.

30. G. Graziani, “Dependency Structures in Comecon,” *Review of Radical Political Economics*, 1981.

31. P. Marer, “Soviet Economic Policy in Eastern Europe,” S.M. Terry, ed., *Soviet Policy in Eastern Europe* (1984).

32. M. Spechler, “Regional Developments in the USSR,” p. 147; *Soviet Economy in a Time of Change*, U.S. Congress, Joint Economic Committee (1979).

SOVIET IMPERIALISM AND LENIN'S THEORY

None of the methods of Soviet foreign exploitation described here depend on the export of capital. They have a similar result — increasing the surplus value under Soviet control — but their mechanism is different. Of course, there are examples of Soviet capital exported abroad: bank loans to friendly countries (India, Egypt in the past), some investments by Soviet bank branches abroad, and even a few traditionally capitalist investments in partnership with Western firms. But these examples are not decisive. Any country has foreign investments, even poor countries that no one would dream of labeling imperialist; it is the nature of capitalism to operate internationally. These are not capital export in Lenin's sense: a fundamental drive requiring exploitation of other countries.

Some Stalinist states, like Yugoslavia (where the rulers' attachment to the *national* capital is rivaled by their *provincial* nationalism), do export capital for profit. The USSR therefore represents one extreme on a spectrum running from Western state monopoly capitalism to the hard Stalinist model. Today we are seeing drastic shifts along this spectrum as the crisis erodes the illusion of "socialism in one country."

Soviet imperialism retains many characteristics of backwardness. The USSR cannot hold on to its dependencies through economic might. When pressed, it has had to resort to military force — reluctantly, because that damages relations with the "democratic" imperialists whose capital and technology the USSR still needs. Unlike traditional imperialists, the Soviets do not invest in their dependencies; they first looted and now *import* capital from them. Soviet imperialism is the reverse of Luxemburg's (fallacious) model of imperialism, in which surplus value can be realized only through the non-capitalist environment. The USSR needs a traditional capitalist environment both inside and outside the country to nourish its nationalist pseudo-socialism.

Does a theory of capitalist imperialism not driven by capital export impermissibly stretch the bounds of Lenin's "definition"? Those who say so ought to consider the example of Czarist Russia, one of the six major colonial-imperialist powers analyzed in Lenin's *Imperialism*. Old Russia, like the USSR, had an imperial history different from the leading powers'. Some of its colonies (e.g., Poland and Finland) had a higher standard of living than Russia proper, as is true of several East European satellites of the USSR today. Lenin described it as a country "where modern capitalist development is enmeshed ... in a particularly close network of precapitalist relations."³³ In particular, Czardom had little capital to export; foreign imperialists sent more capital into Russia than Russia sent out, by far. Lenin's chapter on the export of capital doesn't even include Russia as an exporter but does mention it as the recipient of massive imports of French capital; three-quarters of Russian bank capital in 1913 belonged to branches of foreign banks.³⁴

Yet Czarism was imperialist in its own right and crucial to Western imperialism's domination over East Europe and the Russian empire. For Marx and Lenin, Czarist Russia was the main blockade to progress in Europe and therefore the world. They both pointed out that Russia's

33. Lenin, *Imperialism...*, Chapter 6.

34. *Imperialism ...*, Chapter 3.

atypical features — its autocracy and military foundation — enabled it to play a role in propping up imperialism that even undemocratic capitalist powers had to forego. Soviet Russia also functions to maintain world imperialist hegemony. The USSR today is not the same as the Russia of 1913, but like Czarist Russia it has been an exceptional case within the realm of imperialism — precisely because of its special characteristics. Lenin did not deny the Czar his imperialist crown because his backward economy fell short of matching the famous “five points.”

The claim that the USSR cannot be imperialist because it lacks one of the five points is a sterile argument from pure form. After all, the traditional imperialist powers today (the U.S., Britain, France, etc.) no longer territorially divide the world — thereby violating one of Lenin’s points. The former colonial powers lost most of their overseas territories after World War II. The U.S. is the world’s dominant imperialist — but hardly because of the few countries like Puerto Rico that it rules directly.

To sum up, the USSR is imperialist despite the lack of capital export as a decisive feature: it functions as a vital section of world imperialism, and it is an autonomous center of capital accumulation with an internal drive to dominate other countries for economic purposes. It is different from the traditional imperialist powers because of the peculiar nature of that drive, resulting from its specific history as a destroyed workers’ state. Its imperialism is essentially defensive, aimed at maintaining its position as a great power with the ability to bargain for economic concessions from the West rather than aggressively seeking to contend for Western holdings. Soviet imperialism plays a key role in accounting for the continuity of imperialism as a whole to the present day, a longevity Lenin never expected.

ALTERNATIVE THEORIES

Most attempts to devise Marxist theories of Soviet imperialism have been unsuccessful. The first worked-out “third-system” analysis of Russia was that of Shachtman, who for all his insistence on the uniqueness of the Stalinist system, saw an essential similarity between Stalinism’s imperialist drive and capitalism’s:

“The present world tends more and more to be divided into a few of the advanced and powerful economic countries who enjoy independence, and the others that stagnate or regress economically and inevitably fall into economic and then political dependency upon the few. For a country (and the ruling class in it) to survive as an independent entity, in our time especially, requires an extension of its economic (and therefore its political) power. ... In other words, for all the social ... differences that mark her off from the capitalist world, Russia is nevertheless confronted with the same problem and driven by the same impulsion as every other country in the world.”³⁵

Russia, said Shachtman, needs conquests for the exploitation of the conquered regions’ wealth and its own military defense; it had an unlimited appetite for territory, limited only by the

35. Shachtman, “The Program of Stalinist Imperialism,” *The Bureaucratic Revolution* (1962), p. 123; reprinted from *New International* (1943).

counterforce wielded by rival powers or the mobilization of the masses. But any world power has the same drive, especially those motivated by the need for surplus value. Thus Shachtman's theory of bureaucratic collectivism offers the same explanation for Soviet expansion as for capitalist expansion; it duplicates Cliff's notion that what drives both capitalism and Stalinism in the modern epoch is the need for use values, not value.

But Shachtman really did think Soviet Russia was different. It was backward and starved of capital, and therefore had to conquer territories that were industrially more advanced (which is why Yugoslavia and China were incompatible and allowed to escape the noose). This view helped make the claim that Stalinism was a dynamic system with an unlimited capacity for exploitation and looting — in contrast to capitalism, whose problem was not how to expand production but rather how to dispose of its excess products.³⁶ Here the underconsumptionist theory of capitalist development is extended to its full anti-Marxist logic: capitalism is less reactionary than Stalinism because its drive for brutal exploitation is at least bounded. This reasoning helped pave the way for Shachtman's adaptation to Western imperialism as the only viable alternative to the unmitigated rapacity of Stalinism.

Cliff's book on Russia was originally written in the 1950's and therefore could only discuss the methods of Soviet imperialism in the immediate postwar period. He held that the backwardness of the USSR drove it to conquer satellites in order to obtain cheap labor and to loot raw materials and machinery.³⁷ Since Soviet relations in this period were based on undeniable looting, this seemed correct. But when circumstances changed, Cliff's theory stood still. Later versions of the book (including the 1988 edition with an updating "Postscript") rehash the same limited discussion, cutting the story short at about 1955. The problem of how the USSR could remain imperialist since 1929 without a drive to export capital was never addressed. More recent works by Cliff's followers have added nothing substantial. The Cliffites' indifference to a theory of Stalinist imperialism is not surprising, since they have essentially abandoned such a theory for capitalism in general, as we will see in Chapter 7.

Maoist theories of Soviet imperialism face an especially severe contradiction, since they deny the blatant Soviet conquests of the post-World War II period when Stalin was still alive. Thus they claim that the takeover of East Europe and parts of China in World War II, accompanied by various forms of looting, was socialist — while the relatively compatible relations of recent decades are imperialist! Most Maoists simply ignore the problem: Bettelheim's summary of Soviet foreign policy, for example, skips all the way from 1941 to 1953 without a word of explanation.³⁸ Then, for 1956 and after, Maoists try to prove Russia imperialist by claiming that Lenin's formulas now apply. One version holds that the USSR cannot yet afford to export much capital and therefore must build up its nuclear weaponry in order to win a world war and become the dominant power.³⁹ This fantasy perfectly fits Maoism's adaptation to U.S. imperialism.

A particularly convoluted Maoist argument runs as follows: 1) capital is a social relation; 2)

36. Hal Draper, "Stalinist Imperialism and the Cold War Crisis," in Draper, ed., *Introduction to Independent Socialism* (1963), pp. 104-106; reprinted from *Labor Action* (1954).

37. Cliff, *Russia: A Marxist Analysis*, Chapter 9; *State Capitalism in Russia*, Chapter 8.

38. Bettelheim, *Les Luttes de Classe en URSS*, Vol. 3, part 2.

39. Revolutionary Communist Party (U.S.), "Against the 'Lesser Evil' Thesis: Soviet Preparations for World War 3," *Revolution* (1984).

hence “export of capital” means the export of capitalist social relations; 3) since foreign trade by the USSR with any capitalist country exports capitalist social relations, it is therefore imperialist.⁴⁰ This is just an extension to the domain of foreign relations of the Maoists’ standard idealist conception that the class character of the USSR was transformed when Khrushchev made an anti-Stalinist speech. The only virtue of such reasoning is its consistency with the notion that socialism can be built in economic isolation. With arguments like this it is no wonder that defenders of the Stalinist USSR have had an easy time refuting leftist theories of Soviet imperialism.

DEFENSE OF THE SOVIET UNION?

The devil thesis of the Soviet Union shared by the right and some on the left is absolutely false: the Soviet rulers are *not* driven to unlimited military expansion. (The momentous events of 1989 make this obvious, but it was always clear to authentic Marxists.) The reverse argument offered by Soviet apologists that the USSR loves peace is also wrong. Some leftists who “defend the Soviet Union” of today because of its proletarian past imagine that our analysis, in that it distinguishes between the USSR’s less potent aggressiveness and the West’s, supports such a line. But it does not: defending the USSR means defending its share of the world’s imperialist booty, its “sphere of interest,” its internal empire.

Moreover, defending the Soviet Union means defending the division of the world in which the key factor is Western domination. The USSR’s role in world imperialism is roughly analogous to the Democratic Party’s role in U.S. capitalism: it associates itself with progress and peace in order to betray the mass sentiments and movements for change (and whose struggles potentially challenge the existence of the system). It is no accident that the most ardent defenders of the USSR tend to line up in support of the imperialist Democrats and class-collaborationist popular fronts.⁴¹

Even in a direct encounter between the USSR and a traditional imperialist power, victory for the Soviets would mean not the end of imperialism but the strengthening of the victor’s hold, military and economic. The U.S. is the more aggressive superpower, seeking more actively to extend its sphere of influence. This is no reason to defend the other; and as we will see below, coming imperialist realignments are likely to bring the USSR into alliance with other imperialists.

The fundamental error of the defensist position is its confusion between a retrograde state and a progressive one. “Soviet defensists” see the absence of capital export as a progressive aspect. Indeed, the export of capital for the purpose of ingesting surplus value is reactionary; but it also reflects the international scale of the modern economy and the overripeness of the world for socialist transformation. Workers’ states in the advanced countries would also send vast amounts of capital abroad — not because of the surplus value it could return but because of the use values

40. *Progressive Labor* magazine, Spring 1981 issue on “Soviet Capitalism,” pp. 41–47. The same argument is given academic respectability in Patrick Clawson, “The Character of Soviet Economic Relations with Third World Countries,” *Review of Radical Political Economics*, Spring 1981.

41. These include not just the CPs but even the rabidly but superficially anti-popular frontist Spartacists. See *Socialist Voice* No. 14 (1981).

that less advanced workers' states need. The USSR's failure to export capital shows the severe contradiction of a system at once advanced and backward in the extreme. As in the early years of the century, Russia is again a glaring example of Trotsky's "uneven and combined development."

The USSR's role is defended by leftists who rebel against the Cold War propaganda of the West by justifying Soviet behavior. For example, the radical journalist Alexander Cockburn justifies the Yalta agreement of 1945 and the fact that "Stalin politically terrorized and economically exploited Eastern Europe" by cynically remarking that "Germany had just claimed at least 20 million Russian lives. The shipment of factories, reparations agreed to by the Allies, seems a rather genteel penalty."⁴² That sounds good only in nationalist language. Restated in class terms the logic is a bit less convincing: since Germany's rulers had slaughtered more Soviet people than had the Stalinists, it was only fair for the Stalinists to take revenge on German — and East European — working people too. For precisely this reason the Bolsheviks excoriated the social-democrats' acceptance of reparations demands by the conquerors after World War I. It is an imperialist, not a socialist demand.

In sum, to defend the Soviet Union is to defend, whether in detente or Cold War, a fundamental prop for the imperialist system as a whole.

STALINIST NATIONALISM

Led by Russia and China, the Stalinist bloc at its height encompassed a quarter of the globe and ruled a third of the world's people. But almost as soon as it reached its peak it showed visible signs of distress — not only from the economic crisis that beset the entire capitalist world after the postwar boom but also from internal tensions rending the bloc apart. This had a major effect on inter-imperialist relations as well.

The East German working-class riots of 1953, the Polish upheaval of 1956 and the Hungarian revolution in the same year unnerved not only the Stalinist rulers. John Foster Dulles, the reactionary Secretary of State in the Eisenhower administration, stopped calling for the "rollback of communism" in the face of the workers' movements. The Hungarians confronting Soviet tanks and creating workers' councils were too dangerous a force. So the U.S. abruptly began to advocate the more realistic "Polish road."

This alternative, symbolized by the former Polish CP head Wladislaw Gomulka, began with a reformist policy of limited concessions to the protesting masses. But it also included a careful appeal to Polish nationalism. Gomulka understood that Stalinism could survive in Poland only by winning some popular support, and that required an end to overt Russian domination. Gomulka had no intention of driving the Soviets out of the country; on the contrary, he was simply a national Stalinist who had won mass sympathy because of his victimization by Moscow. Only through such a figure could the ruling party thwart the proletarian threat.

The road to this alternative had been paved by the Yugoslav break with the USSR in 1948. The

42. Cockburn, *The Nation*, March 9, 1985.

West learned then that nationalist Stalinists could oppose Soviet domination and open up their countries to capitalist penetration. (Tito went so far as to endorse the U.S. imperialist side in the Korean war.) The eruptions after Stalin's death made such solutions much more urgent. After 1956 the Khrushchev regime mended relations with Tito, thereby establishing something like the "50-50" split of influence over Yugoslavia envisaged in the Churchill-Stalin deal at Yalta.

In Hungary the Polish alternative failed. Nationalist Stalinists led by Prime Minister Imre Nagy and military hero Pal Maleter were caught between duplicitous Soviet diplomacy and the intransigent workers, and could not steer an independent course. As a result Soviet forces were sent in to crush the revolution, and efforts to achieve "peaceful" accommodation between the West and the USSR were set back for years.

The 1956 events threw into disarray the far left theories of Stalinism. In the case of the Shachtman group, for all its fiery rhetoric about destroying Stalinism, its response to Hungary was to concentrate on democratic demands rather than the socialist overthrow of the state. On a deeper level, the conception that the producing class under Stalinism was not a true proletariat faced a calamitous problem. Why, if they were not a proletariat, did the revolutionary workers construct classical proletarian dual power institutions? Why did their demands strike against the exploitation through value? Shachtmanism could not answer. Thus the workers' revolts, along with the break-up of the Stalinist monolith they compelled, undermined the theory that the Stalinist system was a dynamic successor to decadent capitalism.

The rival "orthodox Trotskyist" current was also shaken by the workers' revolts; it too tended to adapt to the left Stalinists calls for democracy. We take up their theory in detail in Chapter 7.

The nationalist aspect of the uprisings against Soviet domination raises a fundamental question: why did nationalism become so prominent if Stalinism has done away with capitalism? After all, for Marxists the nation-state is not a supra-historical phenomenon: it arose in the capitalist epoch of history as a product of the bourgeoisie's needs to break down pre-capitalist obstacles to accumulation, unify a territory large enough for capitalist commerce and develop a common language. Likewise, national movements came into existence with the creation of nation states.

Nationalism in East Europe is not just an echo of a capitalist past but an essential component of the anti-Stalinist struggles — because of the characteristics of Stalinist society. Indeed, the specific weakness of Soviet imperialism — the fact that without significant capital export it cannot provide even the semblance of benefits to its satellites — often made its rule more nakedly oppressive than Western imperialism. The nationalism of the subject states infected even the bureaucracies that had been carefully selected for loyalty to Moscow. Each state attempted to build its own national economy beyond the point of "rationality"; this reflected not only the USSR's interest in keeping them apart but also the national bureaucrats' interest in building their own power base even at the expense of their "comrades" across the border.

Stalin instigated purges in each of the East European dependencies to eliminate powerful bureaucrats deemed to be "Titoists" and disloyal; Jewish officials were particularly targeted in the hope of stimulating pro-Russian national chauvinism. But even a reign of terror could not suppress nationalism. It spread further: to China, Vietnam and Cambodia in the 1960's; to

Romania and Czechoslovakia, where it got out of hand in 1968; to all the Stalinist states, including the Soviet republics, today. In the West, “Eurocommunism” flourished within the CPs, a deepening of the centrifugal forces Trotsky had pointed to long before. Despite the right-wing “evil empire” and left-wing “post-capitalism” theories, the Stalinist bloc has suffered as many political confrontations and squalid wars as any other Balkanized group of states generally accepted as capitalist. And today rampant nationalism is ripping the USSR apart.

Nationalism, however, does not answer the needs of its mass following. It is no coincidence that it has been consciously used as a diversion from the class struggle. Just as Moscow has little choice but to try to ride the wave of anti-Russian movements, the Western authorities too prefer it as a wise alternative to proletarian revolution. But nationalism is a two-edged sword. The West has openly stepped in to support Gorbachev in trying to check the dismemberment of the USSR, in the interest of world stability.

EMPIRE IN RETREAT

When world crisis conditions resurfaced at the end of the 1960's, the Stalinists needed help to contain their potentially restive populations. They were compelled to break out of their bloc's relative isolation and become an integral part of the world economic structure. All the countries of statified capital, including even ultra-isolationist North Korea, increased trade and embarked on joint production deals with Western firms. Their plan was to expand intensively by importing Western technology and to pay for it by exporting raw materials along with goods produced with the imported techniques.

Because the economies of their own bloc were also worsening, Western financiers were eager to grant loans to the East. They expected that Stalinist discipline over the workers, especially prohibitions on strikes, would allow sufficiently high exploitation to guarantee profitable repayment.

Reality, including Stalinism's inherently retarded productivity and the deepening economic crisis, decreed otherwise. The Eastern bloc increased not its manufacturing exports but its state debt to the West, which mounted tenfold in the decade from 1971-81. As a result, the East, like the third-world South, still imports manufactured goods from the West and exports mainly raw materials. It also exports manufactures of lower quality to the South in exchange for raw materials and convertible currency, which is in turn used to help pay for its trade deficit with the West. Although militarily comparable with the West, the Soviet bloc (now minus China) cannot compete effectively on the world market either with the Western powers, which have higher productivity, or with third-world countries, which have lower labor costs.

The internal decline of Stalinism was a problem for the West. Henry Kissinger, who directed U.S. foreign policy in the early 1970's, hoped to build a Holy Alliance to repress the wave of revolution threatening to engulf the world. The hub of his policy was to maintain American superiority by binding together the imperialist states of West Europe, North America and Japan. This meant trying to overcome their rivalries (in which the U.S. was losing ground) in order to hold their grip over the semi-colonial countries. This core alliance rested on regional junior partners like Iran, South Africa, Brazil and Israel to police the third world.

The end of the Vietnam war in 1975 enabled Washington to cut its losses and hold the rest of the imperial structure intact. It also permitted friendly relations with China and “detente” with Russia. The Soviet rulers, however, did not accept Kissinger’s absolute attachment to the status quo. To make sure that their own interests were not bypassed, they demanded a senior partnership in stabilizing key regions like the Middle East. They also backed troublesome leaders — Assad in Syria, Qaddafi in Libya and Arafat in Palestine — as bargaining chips for entry into the world partnership. The Soviets never achieved their hopes, but they still held to the bargain and defended the imperialist system as a whole. Wherever they aided anti-imperialist struggles, as in Angola or Nicaragua, they did so to protect their own interests and to prevent bourgeois-democratic revolutions from becoming proletarian socialist ones.

The Stalinists’ weakness became a problem for the West as well because the Soviet threat could not so readily be used to weld the Western bloc together. Fear of the Russian devil no longer made militant workers cringe from confrontations with their bosses. Nor could the collaborative Western Communist Parties be painted as conspirators behind every domestic ill. As well, revolutionary nationalist struggles now exploded without the restraining hand of Moscow holding them within safe bounds. And by the mid-1970’s working-class unrest in East Europe was widespread once more. As Kissinger’s lieutenant, Helmut Sonnenfeldt, put it, “The Russians are lousy imperialists.”⁴³

Western foreign policy had to deal with a wide array of problems. The economic crisis undermined American hegemony, leading to German leadership in Western Europe and a revived Japanese sphere of economic domination in Asia. The “trilateralism” of Jimmy Carter and Zbigniew Brzezinski was designed to maintain the U.S. as Western leader and policeman, under conditions where Germany and Japan had to consciously take a back seat. This was a temporary strategy, impossible for the long term.

Carter revived the old American strategy of “democracy.” He sought to contain the rising worldwide class struggle by forcing the most oppressive regimes of the Western bloc — South Africa, Chile, Somoza’s Nicaragua, Iran — to accept a more benevolent facade. The adoption of pluralist systems was aimed at shoring up bourgeois rule by incorporating middle-class dissidents (including blacks in South Africa) and thereby buying off the leadership of the mass base of revolt.

Towards the USSR, where Kissinger had simply tried to prop up the old order, Carter and Brzezinski tried to force reforms on the stubborn Stalinists through their “human rights” campaign. They recognized that Stalinism had lost its ideological attraction and was running the risk of a destabilizing revolt. In the Helsinki accords the U.S. officially recognized East Europe as Moscow’s fief in exchange for promises of loosening up its economic and social structure. Thus Carter sent aid speedily to the reformist Gierek regime in Poland in the face of workers’ revolts in 1976. His U.N. spokesman Andrew Young summed up the strategy towards Stalinism:

“My feeling is that as the Russians begin to evolve, they’re going to have more problems rather than less. The fact that we are helping them deal with these few dissenters right now will prepare

43. See “Permanent Revolution in Southern Africa,” *Socialist Voice* No. 1 (1976).

them down the road to deal with a massive generation of dissent which is probably not ten years off in the Soviet Union.”⁴⁴

Young was insightful about the Stalinist future but far less so about the ability of the rulers, East and West, to contain discontent. The straw that broke the back of the “human rights” campaign was the overthrow in 1979 of the Shah of Iran, the strong-man of pro-Americanism in the third world. Here Stalinism could not detour the masses; its ideological collapse had discredited “Marxism,” i.e., national pseudo-socialist capitalism. As a result the revolt was channeled to a rival answer to the horrors of oppression: “anti-imperialist” religious fundamentalism developing into national-chauvinist clerical fascism. Another Carter effort also collapsed, the attempt to integrate the Nicaraguan rebels into a reformed Somoza regime. A new turn was obviously needed.

IMPERIALIST REALIGNMENT

When bourgeois reforms fail, the alternative is war-mongering. The Soviets provided the opportunity by invading Afghanistan. They expected few problems because their aims coincided with those of imperialism overall: the stability of the Middle East and the Gulf. Brezhnev assumed he had a deal whereby the Americans would take care of Iran and the Russians would handle Afghanistan. But the strategy backfired.

The second Cold War was initiated under Carter but it brought Ronald Reagan to power, since the U.S. bourgeoisie demanded a tougher line. At home it was more guns and less butter, to show the working class who was boss. Economic embargoes over Afghanistan and Poland put increased pressure on the beleaguered Stalinist economies. The U.S. armed and aided counterrevolutionary movements against left-leaning regimes across the globe: Nicaragua, Angola, the Vietnam-imposed government of Cambodia, as well as Afghanistan. And to a degree it worked. Reagan’s team understood what the liberals and left did not: that military/economic competition would further weaken the USSR’s already crisis-ridden economy. Reagan’s economic war further undermined the U.S. economy, continuing its transition to “first among equals” from hegemonic power. Japan and Europe had to invest in a declining U.S. to keep the West intact.

Even during the revived Cold War, Western capital continued to worry over the instability of the Soviet bloc. Margaret Thatcher aside, the West European leaders were always less than devoted to the Moscow-as-devil line, preferring profitable relations with East Europe. The U.S. deepened its relations with China in the interest of finding cheap labor and of keeping up pressure on the Russians. But with the Soviet threat declining and traditional imperialist rivalries growing, it needed openings with East Europe too. After General Jaruzelski’s military suppression of the workers’ movement in Poland (see Chapter 8), an important organ of U.S. imperialism evaluated the alternatives according to the dictates of exploitation:

“The imposition of military control in Poland could in the long run be reassuring to Western

44. For details of the Carter strategy, see “Jimmy Carter’s New New South: the World,” *Socialist Voice* No. 4 (1977).

creditors, if it provides greater economic stability, an end to labor unrest and increased worker productivity — even at the point of a bayonet. But in the short run there isn't any guarantee this will happen, and the uncertainties could make all Western lenders more nervous about continuing to bail out the Poles.”⁴⁵

Soviet economic weakness soon led to a crisis in Cold War ideology: you can't have a devil without horns. Since the “evil empire” wasn't playing its part, Reagan could not continue blaming the Soviets for “all the unrest that is going on,” as he had done in his 1980 campaign. The Cold War floundered, and a new enemy had to be invented. Hence the campaign against “international terrorism” in which thousands of third-world victims have already been slaughtered. But even such enemies as Qaddafi, Khomeini and Castro are unbelievable as omnipotent sources of evil without Soviet power behind them. The “war on drugs” dragged up to fill the gap is also a poor substitute, although it does allow U.S. imperialism to deploy its forces against unrest in third-world countries.

When Gorbachev took power, his keen perception of the Soviet emergency led to an all-out effort towards accommodation. Even more than before, the USSR needed credits and technology from the West; its eagerness for peace was palpable. Soviet policy shifted toward a deal with the West, hoping for settlements in Afghanistan and elsewhere and a common effort to prevent the Iraq-Iran war from getting out of hand. Gorbachev's diplomacy successfully used the differences between Europe and the United States and played on the Western public's peace sentiments. His efforts made Reagan's dilemma all the more apparent and led to the more or less official end of Cold War II in December 1987, when the two superpowers staged a week-long lovefest at the Washington summit conference.

Part of the deal was the Soviet pullout from Afghanistan, the settlements in Angola and Cambodia and the Arias peace plan for Central America. But as Lenin said of similar diplomatic deals in his day, the imperialists' alternative to war is imperialist peace — which leads to imperialist war. The Soviet Union has been the natural enemy since World War II. But the world situation is rapidly changing. It is becoming increasingly clear that the U.S.'s major rivals today are its economic competitors, Japan and Germany. Despite every administration's attempts to preserve the U.S.'s traditional international alliances, the bourgeoisie is increasingly compelled to undertake jingoist, protectionist policies against its real targets.

All this points toward a rearrangement of imperial blocs, as happened at the start of World War II. If world war is staved off for a time, the U.S.'s main enemy will not be the USSR but Germany or Japan, or both. New imperialist rivalries would undoubtedly manifest themselves through quarrels over the Middle East and other prime regions for exploitation, such as China or the more industrial Soviet-East European region. In this case the USSR would serve as a junior economic partner of one side or the other (as in the last world war); its nuclear and conventional armed forces would serve as its most valuable bargaining counter.⁴⁶

45. *Wall Street Journal*, December 16, 1981.

46. Such a shift is obvious now in the era of Gorbachev, but we pointed to it well before, at the height of Cold War II. See “Marxist Response to Reaganism,” *Socialist Voice* No. 13 (1981) and “LRP Convention,” No. 18 (1983).

The 1987 stock market crash prompted a leading Wall Street and Democratic Party power broker to overstate graphically the changing world balance of power:

“Here we and the Soviets are spending so much money on defense and nuclear weapons while the Japanese are winning World War III without one nuclear warhead. We are becoming a second-rate economic power and the Soviets a third-rate economic power, and the two countries that are first rate, Japan and West Germany, are without any real military strength. That is absurd.”⁴⁷

So it is, and therefore the direction of bourgeois policy on all sides will be to correct the imbalance. Japan will militarize more than it already has, the U.S. will seek to overcome its economic flabbiness through a serious austerity policy, and Germany will try to extend its Ostpolitik of economic and political ties with the East European Stalinists. There is talk in high places of a new “Marshall Plan” for Eastern Europe, allowing investment in those anemic economies in order to both extract profits and forestall revolt. Starting in 1988, a parade of Westerners marched to Moscow to offer loans and investments. The U.S. too began moving in on Poland and Hungary. After the revolts of 1989, the parade became an avalanche. But the post-boom economic conditions of world capitalism do not permit the same level of aid for recovery that was possible in the 1940's.

For several decades, Stalinism and its ideology of nationalization served capitalism well. It was the bulwark against revolution in Europe; it channeled the upheaval in China into a nationalist dead-end; it persuaded the workers and peasants in innumerable third-world revolutions that the national bourgeoisies shared their interests; it was a reformist prop for capital in the imperial countries. But all that has changed. The USSR cannot even support the disintegrating economies of its traditional satellites, much less new ones. It has always refused to do for the pro-Stalinist rulers of beleaguered Nicaragua what it does for Cuba,⁴⁸ and in the late 1980's it started backing away from East Europe too.

The rulers of East and West face an overwhelming dilemma: they need a full-scale cathartic crisis to wipe out obsolete capitals and centralize their economies to re-establish profitability. But the size of the enterprises that would have to undergo the cure is so great that collapse cannot yet be risked: not only are its economic effects unpredictable, but so is the response by the working classes. And the collapse of the East European regimes shows that crisis containment is not entirely under ruling-class control. Since the system can afford very few liberal reforms, economic forces will continue to build to a greater crisis. The major economic strategies of the 1980's — nationalist reforms in the East, protectionism in the West — are stopgap measures in lieu of a real revival. That will require far deeper inroads into working-class

47. Felix Rohatyn, quoted in *New York Newsday*, November 12, 1987.

48. As our corollary to permanent revolution explains, Stalinist parties cannot carry out their stratification goals without first crushing or at least decapitating the working class. We pointed out at the dawn of the revolutionary regime that Nicaragua could not follow the Cuban road, because of the Soviets' reluctance to intervene in the U.S.'s “backyard,” their own diminishing resources and the decay of local Stalinism as a force capable of attracting and thereby disciplining revolutionary workers. See *Socialist Action* (LRP), September 1979.

living standards than have yet been possible, and East Europe is the first testing ground.

The weakness of Stalinism does not mean that its futile reformist programs are harmless. They can lay the basis for fascism again, since the capitalist solution for another sustained upswing is a bout of violent defeats of the working class and a new centralization of capital. While Stalinism can no longer provide the cadre to accomplish the stiffening capitalism needs, fascism, based on distorted hopes for a radical alternative channeled through a program of racist and anti-leftist violence, potentially can. (The Iranian regime of religious fundamentalism already offers a model.) If reformists and Stalinists deflect the working classes from revolutionary solutions they would share the responsibility for such a defeat. Today, the question of proletarian revolution is being posed most sharply in the Stalinist countries themselves.